

TITLE 170 INDIANA UTILITY REGULATORY COMMISSION

Proposed Rule

RM# 04-02

LSA Document #04-144

In July 2004, the Indiana Utility Regulatory Commission ("Commission") issued a Notice of Proposed Rulemaking to add 170 IAC 4-1.2, 170 IAC 5-1.2, and 170 IAC 6-1.2 to establish new customer service rights and responsibility rules for electric, gas, and water utilities and repeal 170 IAC 4-1-15, 170 IAC 4-1-16, 170 IAC 4-1-16.5, 170 IAC 4-1-16.6, 170 IAC 4-1-17, 170 IAC 5-1-15, 170 IAC 5-1-16, 170 IAC 5-1-16.5, 170 IAC 5-1-16.6, 170 IAC 5-1-17, 170 IAC 6-1-15, 170 IAC 6-1-16, and 170 IAC 6-1-17.

Citizens Gas & Coke Utility's - Initial Written Comments

General Overview

Citizens Gas appreciates the Commission's efforts to update the customer rights and responsibility rules established in 1976. While we see positive attributes in the proposed changes to the existing Rules to more closely reflect current day business practices, such as the use of credit scoring tools, an increase in the maximum deposit amount before an arrangement is necessary, and a floating interest rate paid on deposits, we have many concerns with several of the proposed rule changes. Citizens concerns with the proposed Rules are related to the far-reaching fiscal impacts that will affect all our customers and would limit our ability to provide adequate financial safeguards. Our broader concerns with the proposed Rules include, (i) the reduced maximum deposit amount for gas utilities, (ii) changes in arrangement and reconnection rules resulting in over extending credit on past due balances when current charges are at their highest levels, causing customers to spiral further in debt and (iii) the elimination of commonly accepted industry practices of estimating off cycle meter readings for first and final bills.

In addition, Citizens views many of these proposed Rules as being inconsistent with the success factors of the Universal Service Program ("USP") approved by the Commission for the low-income customers of Citizens and Vectren. The "USP" promotes affordability of the gas bill for low-income customers. The indices that will be used to measure the success of the Universal Service Program are the completeness, promptness, and regularity of bill payment. Under the proposed Rules, coupled with the moratorium on low-income disconnections, more of these customers will fall further behind by compounding last year's debt with current year's charges, while providing no solution to address the arrearages after the end of the heating season. Without limits, the repetitive cycle will further compound the problem in subsequent years, thereby limiting a customer's ability to sustain any improvement in making bill payments and reaching self-sufficiency.

These proposed Rules will have a negative impact on Citizens bad debt expense. Since the 2000/2001 heating season, Citizens' bad debt experience has averaged an increased amount equal to two to three times the amount of bad debt expense approved in our last rate case in 1991. In an effort to strike a balance between social and fiscal responsibility, Citizens continues to implement programs like the newly approved Universal Service Program. Further evidence of our desire to strike such a balance are Citizens leadership role in the Coalition to Keep Indiana Warm, our Warm Heart Warm Home Foundation, our weatherization program, and our employees who are trained to recognize the delicate balance between customers who are "unable" and those who are "unwilling" payers.

In order to adequately address these issues, Citizens supports the Indiana Energy Association ("IEA") position to set aside the current rulemaking and work together to address the gas deposit issues in the near term. We can then deploy a workshop process, which has been used successfully in the past to work together, to address the remaining issues in an orderly and cooperative process. This will insure that the Commission develops and implements customer rules that represent the needs of all of our customers and stakeholders.

In order to implement the above-described alternative process, Citizens respectfully requests that the Commission table 170 IAC 5-1.2 which would establish new customer service rights and responsibility rules for gas utilities and continue to use the existing rules in 170 IAC 5-1-15, 170 IAC 5-1-16, 170 IAC 5-1-16.5, 170 IAC 5-1-16.6, and 170 IAC 5-1-17 until the workshop process is completed. Citizens looks forward to working with the Commission to modify the customer deposit language in a way that gives adequate consideration to the needs of all customers as well as the increased risk exposure to the utility(Refer to comments referencing 170 IAC 5-1.2-4 below on deposits for clarification).

Proposed Changes for the Workshop Process

Rule 170 IAC 5-1.2-2 Definitions

Citizens needs more clarification on the proposed definition of an Applicant and believes the definition should be expanded to include Co-applicants. In addition, the rules should acknowledge there can be more than one applicant or customer per residential service. In households where the service is in multiple names or there are multiple adults receiving the benefit of service, we need clarification to provide adequate protection against customers who are "Unwilling Payers." Without additional protections, fraud or "daisy chain" behaviors will continue to escalate and create an added write-off burden that good paying customers ultimately will have to bear.

In addition, Citizens would like to see as an outcome of the workshop process, a definition for "financial hardship."

170 IAC 5-1.2-3 Creditworthiness guidelines

As mentioned in the previous section, Citizens believes further revisions to the creditworthiness guidelines would be appropriate. The revisions should address the concerns expressed with multiple applicants per service and allow for all adult occupants of a household to be considered when determining credit risk. Additionally, revisions should be made to the language of the rule to provide protection against fraud or "daisy chaining" at a premises for the purpose of avoiding payment of past due charges. If an adult member of the household is or has received the benefit of gas service at the premises and is requesting the service be placed in their name, they should be held responsible for all past due balances, reconnection charges and applicable deposits for utility service during the time they occupied the premises.

The proposed Section 3. (b) to allow for a credit scoring system is an appropriate update to the rules to reflect an accepted industry practice which Citizens and other utilities in the state utilize today. Citizens utilizes a scoring system which was developed for the utility industry to assess the likelihood an applicant will be a credit risk to the Utility.

170 IAC 5-1.2-4 Deposits

While Citizens understands the Commission's desire to make the amount of customer deposits more affordable and uniform across the different utility industries, the proposed rules do not take into consideration the additional risk exposure and costs created by the new rules. Uniformity of the deposit rule implies uniformity in risk. However, due to the seasonal nature of gas service, where 6770% of the usage occurs in four months of the year, a gas utility's exposure to risk is much greater than other regulated utilities. Citizens has data which shows that, during peak usage periods, risk under today's rules exceeds the 1/3 deposit rule. However, Citizens supports the IEA position that the

Commission should address the deposit issue prior to this heating season. Citizens also believes the Commission should consider, in conjunction with any change to the deposit rule, a recovery mechanism for the gas utilities added risk exposure.

With a recovery mechanism to provide protection against additional exposure, such as a Bad Debt Tracker, Citizens suggests as an alternative to the proposed 1/6th deposit rule, a tiered deposit structure. For new customers, Citizens suggests assessing a deposit equal to 1/6th annual estimated usage. However, for existing customers who have shown delinquent payment patterns or who have been disconnected for non-payment or fraud-related activities, we suggest an additional/new deposit that would be equal to 1/3rd of their annual estimated usage. This deposit amount would lessen the risk exposure to good paying customers that otherwise ultimately would be spread through a newly-created recovery mechanism.

The newly proposed rule for deposits indicates that deposits greater than \$150 will be paid in three equal installments over a three-month period. In the example, it shows a \$180 deposit divided in three payments of \$60 each. Because of timing, with the initial installment collected up front, the remaining two deposit installments are paid over a two-month period. In addition, the billing of deposits creates a higher risk of default. Citizens would like the Commission to consider a change that would allow the utility to collect the \$150 deposit up front, with any amounts in excess of the \$150 being paid in equal installments over a two-month period. In the same example a customer who is assessed a \$180 deposit would pay an initial payment of \$150 and two installment payments of \$15 each over the next two-month period.

Under proposed Rule Sec.4.d (3), if a customer reconnects service within 45 days of the disconnection, the Utility would be required to reconnect the service and bill the deposit. The customer would have 10 days to pay the deposit amount. Citizens recommends the Commission consider eliminating the first two sentences of the proposed Rule thereby requiring the customer to pay the deposit amount in advance of reconnection for any service that has been disconnected in the past four years. In addition, Citizens recommends that a deposit for a customer who meets any of the stipulations cited in Sec.4. (d) be assessed a deposit equal to 1/3rd of their annual usage.

Under the proposed Rules Sec.4.(f) and Sec.4.(i), Citizens recommends the refunds of deposits and interest on active accounts be applied to the account balance. This would minimize the administrative burden of the Rules and the customer would still receive benefit through the reduction in the utility bill. This also would allow the Utility to apply a deposit, plus interest, to the final bill amount to insure all debts are satisfied prior to any refunds.

170 IAC 5-1.2.5 Disconnection and prohibited disconnections

Citizens believes Sec.5.(b) of the proposed Rule should allow for the ability to disconnect service if a customer fails to pay a required deposit. In addition, the rule needs to address the concerns expressed earlier in reference to fraud or daisy chain behavior when a

member of the household has an outstanding balance and the name has been changed on the account to avoid payment.

Sec.5.(d) of the proposed Rule needs to be replaced with the language from the old rule. As written, the new Rule is limiting and does not take into consideration the expanded service-hours utilities provide today. The old rule allowed greater flexibility for those utilities that provide expanded customer service hours during the evenings, weekends and holidays. To the extent the old rule needs to be changed to be more representative of current day activities, we recommend the Commission extend the disconnection day from its current limit of 8:00 a.m. - 3:00 p.m. to 8:00 a.m. - 4:00 p.m.

Sec.5.(e) of the proposed Rule has been expanded to include additional information that is already provided to the customer and seems redundant. To the extent the Commission can limit this information on every notice, the required administrative, billing and mailing costs would be eliminated.

170 IAC 5-1.2-6 Payment arrangements and reconnection of service

Sec. 6 of the proposed Rule creates the ability for a customer to secure credit without regard to their ability to pay. In Sec.6.(a), Citizens agrees with the spirit of the proposed language if it is limited to apply only to arrangements for active customers. Once a customer becomes disconnected, Citizens suggests a customer who is reconnecting service within four years of the disconnection be required to pay for all outstanding costs related to utility services consistent with the rules expressed in Sec.4 on deposits. If a customer has an outstanding balance and is trying to reconnect service, the Utility should have the discretion to require the customer to pay the outstanding account balance for utility services, all applicable reconnection charges and the additional deposit requirements.

In Sec.6.(a) (1), the phrase financial hardship is used as just cause to define an inability to pay. An agreed upon definition needs to be established for the term "financial hardship."

Citizens suggests the Commission strike Sec.6.(f) & (g) under the proposed Rule. The proposed Rule extends credit to customers without regard to the ability to pay at a time when their new bills are at the highest level, making the new bills virtually unaffordable. There are no limits established to the number of or frequency by which a customer can invoke this Rule, which creates a repetitive cycle resulting in an insurmountable amount of debt for many customers. As written, the proposed Rule would create a repetitive cycle of disconnection/reconnection for Citizens customers.

170 IAC 5-1.2-10 Estimated Bills

Citizens requests the Commission strike Sec.10.(b) (1). Estimating utility bills for first or final bills is a common practice and an effective way to control the costs of off cycle meter reads.